

CITY OF LA PORTE CITY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

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City of La Porte City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Lubben	Mayor	Jan 2014
Kim Ortiz	Council Member	Jan 2014
Kathy Norris	Council Member	Jan 2014
Todd Butler	Council Member	Jan 2016
Sarah Craft	Council Member	Jan 2016
Mike Johnson	Council Member	Jan 2016
Jane Whittlesey	Clerk	
Corey Lorenzen	Attorney	



Donald A. Weber, C.P.A.
David L. Fox, C.P.A.
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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business

type activities, each major fund and the aggregate remaining fund information of the City of La Porte City as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of La Porte City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 11 and 31 through 33 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2013 on our consideration of the City of La Porte City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of La Porte City's internal control over financial reporting and compliance.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER & CO., P.C.

CITY OF LA PORTE CITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of La Porte City provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities

Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances

Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities are funded primarily through property tax, local option sales tax, road use tax and state and federal grants. Governmental Activities include the following:

Public Safety – includes police operations, fire protection, ambulance service, building inspections and animal control services

Public Works – includes roads, bridges and sidewalks, equipment replacement, street lighting, sanitation, traffic safety, snow removal and street cleaning

Health and Social Services – includes welfare assistance

Culture and Recreation – includes library services, parks, recreation, pool, community center and museum

Community and Economic Development – includes economic development, housing rehab, and tax increment financing

General Government – includes mayor, city council, city clerk/treasurer, legal services, and city hall administrative and building needs

Debt Service – includes principal and interest payments for debt repayment

Capital Projects – major projects including street and infrastructure improvements.

Business Type Activities include the ambulance service and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements - The City has two kinds of funds:

Governmental funds account for most of the City's basic services. These focus on how money flows in and out of those funds and the balances at year-end that are available for spending. The governmental funds include the General Fund, Special Revenue Funds such as Road Use Tax and Tax Increment Financing, the Debt Service Fund, the Capital Projects Fund, the Equipment Replacement Fund, and the Trust Funds. The Governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds are also known as Business-Type funds. These funds, which include Ambulance and Sewer services, are generally self-sufficient and are considered to be major funds of the City.

The required financial statements for Governmental and Proprietary Funds include statements of cash receipts, disbursements and changes in cash balances.

Basic Financial Statements

Part of the requirements of the Management Discussion and Analysis is to provide a brief discussion of the Basic Financial Statements included in this Report and the information they provide.

Statement of Activities and Net Position – Cash Basis (Exhibit A)

The first section of the statement presents the eight governmental **Functions / Programs**. *Disbursements* for each are listed in the first column, with *Charges for Service* and other receipts shown to the right. The result is a Net (Disbursement) Receipts and Change in Cash Basis Net Position, which is helpful in determining the extent to which the programs support themselves.

The Next section lists **General Receipts**, including *Property Tax, Local Option Sales Tax Unrestricted Interest and Bond Proceeds*. These revenues are not listed in the first section because they are not generated from the direct operation of the functions/programs.

Finally, the report shows the net position end of year as \$3,807,766, compared to net position beginning of the year of \$3,985,215, a decrease of \$177,449.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Governmental Funds (Exhibit B)

The City maintains ten funds under the “Governmental” classification. The column titled *General* includes activity in the General and the Economic Development funds. The column titled *Other Nonmajor Governmental Funds* includes activity for the Trust I (Employee Benefits) Fund, the TIF Fund, the Low to Moderate Income Fund, and the Trust II Fund (established to track memorials, bequests, and contributions). More detailed information on these nonmajor funds is included on the *Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Non-Major Governmental Funds* (Schedule 1).

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position – Governmental Funds (Exhibit C)

This reconciles any differences in the Cash Basis Net Position or the Cash Ending Balances from Exhibit A and Exhibit B. For Fiscal Year 2013, there were no differences in the Cash Basis Net Position or the Cash Ending Balances.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances, Proprietary Funds (Exhibit D)

Proprietary Funds are used to report Business Type Activities (activities that are primarily self-supporting through service charges and user fees). The two proprietary funds for the City are the Ambulance and the Sewer Funds.

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Position – Proprietary Funds (Exhibit E)

This reconciles any differences in the Cash Basis Net Position or the Cash Ending Balances Exhibit A and Exhibit D. For Fiscal Year 2013, there were no differences in the Cash Basis Net Position or the Cash Ending Balances

Budgetary Highlights

Over the course of the fiscal year the City amended its budget only one time. The amendment was approved on May 28th, 2013 and provided for additional disbursements in City departments. Debt Service constituted the largest portion of the expense amendments as the City refunded the 2005 (Aquatic Center) and 2006 (Sweet Addition) General Obligation Bonds for a more favorable interest rate. The refunding was also reflected in the revenue amendments for the Debt Service Fund.

Other expenditure amendments included additional expenses for library wages, insurance and sidewalk repair and an Economic Development loan. Capital Equipment purchases and Capital Improvements that had an impact on this amendment include equipment purchases at the Aquatic Center, computer purchases at the library and replacement of the Community Center parking lot.

2013 Financial Highlights

Revenues (not including transfers in) increased \$97,531 from FY12 to FY13. One of the factors contributing to the increase was a sizeable bequest for the FFA Ag and Historical Museum. In addition, the City refunded GO Bonds 2005 (Family Aquatic Center) and 2006 (Sweet Addition) for a more favorable interest rate.

From FY12 to FY13 disbursements (not including transfers out) increased \$2,099,701. This increase was a result of the City's refunding of GO Bonds 2005 and 2006, which resulted in additional debt service expenditures of \$1,682,111. In addition, Capital Projects expenditures increased \$515,288 from FY12 as the City continued work on street rehabilitation projects funded by the 2012 GO Bond issue.

The City's total cash basis net position decreased \$177,449 from June 30, 2012 to June 30, 2013. The factors for this net decrease are outlined in the preceding paragraphs. It is expected that this trend of decreasing net position will endure as the City continues to spend down those proceeds of the 2012 GO Bond. As of June 30, 2013, approximately \$1.84 million of the original bond proceeds remained unspent.

Of note for 2013 is that the City's financial statements now include activity from La Porte City Fire Association and La Porte City Police Association, both considered component units of the City for audit purposes. Revenues from the component units totaled \$41,841 and expenditures totaled \$41,372 for a net increase in cash balances of \$469. While the overall impact to the City's financial statements is minimal, it should be noted that the City's beginning balance net position for FY13 was increased by \$17,365 to reflect the inclusion of the component units.

In addition, the financial information for La Porte City Utilities is also a required part of the City's audit. The City has opted to present condensed financial information for this discreetly presented component unit. A condensed Statement of Cash Receipts, Disbursements and Changes in Cash Balances as well as notation of material weaknesses and significant deficiency is noted in Item 10 of the Auditor's Notes to Financial Statements.

Debt Administration

As of June 30, 2013, the City had \$3,665,000 in debt outstanding compared to \$4,020,000 in 2012.

Outstanding Debt at Year End June 30,	2013	2012
General obligation capital loan notes (FY13)	\$1,705,000	\$
General obligation capital loan notes (FY12)	\$1,885,000	\$1,920,000
General obligation capital loan notes (FY06)	\$	\$ 505,000
General obligation capital loan notes (FY05)	\$	\$1,370,000
General obligation capital loan notes (FY04)	\$ 75,000	\$ 150,000
General obligation capital loan notes (FY03)	\$	\$ 75,000
Total	<u>\$3,665,000</u>	<u>\$4,020,000</u>

The City redeemed GO Bond 2005 (Aquatic Center) and GO Bond 2006 (Sweet Addition) and reissued the debt (GO Bond 2013) at a more favorable interest rate in FY13. The General Obligation Note FY12 was issued for the 2012 and 2013 street rehabilitation projects. The General Obligation Note FY04 was issued for the 2004 street rehabilitation, railroad crossing and Tama Road projects. The General Obligation Note FY03 was issued for the 2003 street rehabilitation project.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,665,000 is below its constitutional debt limit of \$5.42 million.

TIF Rebates

In 2006 the State redesigned the TIF certification process. House File 2777 mandates that once TIF indebtedness is certified to the County Auditor, the County Auditor shall provide for TIF increment taxes in subsequent years without further certification, until the amount certified is paid to the municipality. This allows the City to either submit a one-time certification for the total amount to be collected in a TIF district over the life of an agreement, or to certify annually a specific amount to be collected from a TIF district. The City certified TIF debt for three projects in November 2011, to be collected in Fiscal Year 12-13:

Greg & Donna Pipho (\$12,325) – for Sunset Knolls Ninth Addition, the City agreed to pay to the Pipho's property taxes generated from the thirteen lots in this housing division. This is the final year for this certification. The TIF fund revenues for this rebate agreement are divided between the amount paid to Greg & Donna Pipho as part of the rebate agreement and the state-required set-aside amount for improvements in low to moderate income areas of the City.

Family Aquatic Center (\$129,480) – when approving the issuance of debt for the new aquatic center, the City Council approved using a combination of TIF funds and a debt service levy to make the annual payments on the bonds. This is the eighth of fifteen years for this certification.

A portion of the certified FAC TIF debt (\$4,074) was used to make a loan to satisfy the bond payment for the Sweet Subdivision. Once the Sweet Subdivision starts to realize new value and after the bond payments have been satisfied, we will certify \$4,074 from the Sweet TIF to “pay back” the FAC TIF.

Witham Development Agreement (\$1,185)– the City Council agreed to make the interest payments on an eight-year loan Witham received through Black Hawk Economic Development Corporation. The loan enabled Witham to rebuild and expand the business center following a substantial fire. Economic Development Fund reserves were used to make the interest payments until such time as property taxes on the new value could be recovered. These reserves will be paid back with the final TIF certification after all interest payments have been made. This is the third year for this certification.

Sweet Subdivision – since no incremental taxes were anticipated in FY13, and because there is a ten-year limit on TIF certifications for residential development, the City did not certify any taxes for this area. However, construction of new homes is continuing and the City believes that sufficient incremental value can be realized and will certify the TIF district in 2013 for revenue collection in FY15.

NOTE: In 2012, the State instituted new reporting requirements for TIF, and placed restrictions on the use of TIF funds for Cities. These changes went into effect July 1, 2012. While these new restrictions have not yet had an impact on the City’s use of Tax Increment Financing, City staff will continue to assess their effect on current and future TIF agreements.

Economic Factors and Next Year’s Budgets

The City of La Porte City’s elected and appointed officials and department heads considered many factors when setting the FY14 budget, tax rates and fees that will be charged for various City activities.

While the City has made efforts to comply with mandated improvements to its wastewater treatment plant, including scheduled rate increases in anticipation of the issuance of debt for the required updates. However, delays in getting plan approval from the Iowa Department of Natural Resources have delayed the start of the project for an unknown period of time. The City will re-evaluate the need for further rate increases until IADNR approval has been received. In pursuit of improvements to the City’s commercial district, in FY14, the City will apply for a Façade Improvement Grant from the Iowa Economic Development Authority. This will be the first in a multi-step improvement project that could include new streetscaping as well as utility and upper level living improvements.

Contacting The City’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane Whittlesey, City Clerk, 202 Main Street, La Porte City, Iowa.

Basic Financial Statements

City of La Porte City

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 560,105	-	94,593	1,373
Public works	461,441	192,522	235,582	1,886
Health and social services	3,052	-	-	-
Culture and recreation	379,199	46,277	307,290	2,224
Community and economic development	59,581	-	907	2
General government	133,445	32,953	29,492	-
Debt service	2,204,916	-	-	-
Capital projects	563,011	-	11,812	-
Total governmental activities	4,364,750	271,752	679,676	5,485
Business type activities:				
Sewer	269,297	309,629	-	-
Ambulance	89,136	77,084	21,406	-
Total business type activities	358,433	386,713	21,406	-
Total	\$ 4,723,183	658,465	701,082	5,485

General Receipts and Transfers:

Property and other city tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Local option sales tax
 Unrestricted interest on investments
 Bond Proceeds
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:
 Nonexpendable:
 Trust fund
 Expendable:
 Urban Renewal purposes
 Debt service
 Streets
 Other purposes
 Committed
 Assigned
 Unrestricted

Total cash basis net position

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(464,139)	-	(464,139)
(31,451)	-	(31,451)
(3,052)	-	(3,052)
(23,408)	-	(23,408)
(58,672)	-	(58,672)
(71,000)	-	(71,000)
(2,204,916)	-	(2,204,916)
(551,199)	-	(551,199)
(3,407,837)	-	(3,407,837)
-	40,332	40,332
-	9,354	9,354
-	49,686	49,686
(3,407,837)	49,686	(3,358,151)
598,746	-	598,746
220,324	-	220,324
146,534	-	146,534
277,129	-	277,129
-	2,592	2,592
1,695,640	-	1,695,640
238,687	1,050	239,737
78,676	(78,676)	-
3,255,736	(75,034)	3,180,702
(152,101)	(25,348)	(177,449)
3,619,987	365,228	3,985,215
\$ 3,467,886	339,880	3,807,766
\$ -	-	-
3,030	-	3,030
10,598	-	10,598
1,591,719	-	1,591,719
269,481	-	269,481
592,221	-	592,221
500,545	-	500,545
500,292	339,880	840,172
\$ 3,467,886	339,880	3,807,766

City of La Porte City

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2013

	General	Special Revenue Equipment Replacement	Debt Service	Capital Project	Trust & Agency Trust Funds
Receipts:					
Property tax	\$ 477,093	-	220,324	-	-
Tax increment financing collections	-	-	-	-	-
Other city tax	277,129	-	-	-	-
Licenses and permits	28,700	-	-	-	-
Use of money and property	23,235	3,102	-	11,812	2,163
Intergovernmental	86,437	17,435	-	-	-
Charges for service	243,052	-	-	-	-
Miscellaneous	141,300	4,220	-	93,386	279,496
Total receipts	1,276,946	24,757	220,324	105,198	281,659
Disbursements:					
Operating:					
Public safety	461,256	-	-	-	3,561
Public works	285,605	-	-	-	-
Health and social services	3,052	-	-	-	-
Culture and recreation	357,971	-	-	-	475
Community and economic development	50,680	-	-	-	-
General government	122,634	-	-	-	-
Debt service	-	-	2,204,916	-	-
Capital projects	-	-	-	559,554	-
Total disbursements	1,281,198	-	2,204,916	559,554	4,036
Excess of receipts over disbursements	(4,252)	24,757	(1,984,592)	(454,356)	277,623
Other financing sources (uses):					
Bond Proceeds	-	-	1,695,640	-	-
Operating transfers in	173,214	149,548	298,231	500,000	-
Operating transfers out	(82,562)	(95,351)	(500,000)	(138,344)	(102,506)
Total other financing sources (uses)	90,652	54,197	1,493,871	361,656	(102,506)
Change in cash balances	86,400	78,954	(490,721)	(92,700)	175,117
Cash balances beginning of year	513,607	618,160	889,891	1,005,605	233,946
Cash balances end of year	\$ 600,007	697,114	399,170	912,905	409,063
Cash Basis Fund Balances					
Nonexpendable	\$ -	-	-	-	-
Restricted for:					
Urban Renewal purposes	-	-	-	-	-
Debt service	-	-	10,598	-	-
Streets	-	-	388,572	900,442	-
Other purposes	66,861	-	-	-	76,562
Committed	24,327	550,060	-	-	-
Assigned	8,527	147,054	-	12,463	332,501
Unrestricted	500,292	-	-	-	-
Total cash basis fund balances	\$ 600,007	697,114	399,170	912,905	409,063

See notes to financial statements

Other Nonmajor Governmental Funds	Total
121,653	819,070
146,534	146,534
-	277,129
-	28,700
596	40,908
218,825	322,697
-	243,052
41,841	560,243
529,449	2,438,333

95,288	560,105
175,836	461,441
-	3,052
20,753	379,199
8,901	59,581
10,811	133,445
-	2,204,916
3,457	563,011
315,046	4,364,750
214,403	(1,926,417)

-	1,695,640
14,610	1,135,603
(138,164)	(1,056,927)
(123,554)	1,774,316
90,849	(152,101)
358,778	3,619,987
449,627	3,467,886

-	-
3,030	3,030
-	10,598
302,705	1,591,719
126,058	269,481
17,834	592,221
-	500,545
-	500,292
449,627	3,467,886

Exhibit C

City of La Porte City

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2013

Total governmental funds cash balances (page 16)	\$ 3,467,886
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Cash basis net position of governmental activities (page 14)	<u><u>\$ 3,467,886</u></u>
Net change in cash balances (page 16)	\$ (152,101)
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Change in cash basis net position of governmental activities (page 14)	<u><u>\$ (152,101)</u></u>
See notes to financial statements	

City of La Porte City

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2013

		Non-Major	
	Sewer	Ambulance	Total
Operating receipts:			
Use of money and property	\$ 2,122	470	2,592
Intergovernmental	-	21,406	21,406
Charges for service	309,629	77,084	386,713
Miscellaneous	-	1,050	1,050
Total operating receipts	311,751	100,010	411,761
Operating disbursements:			
Business type activities	269,297	89,136	358,433
Total operating disbursements	269,297	89,136	358,433
Excess (deficiency) of operating receipts over (under) operating disbursements	42,454	10,874	53,328
Transfers out	(58,676)	(20,000)	(78,676)
Change in cash balances	(16,222)	(9,126)	(25,348)
Cash balances beginning of year	244,002	121,226	365,228
Cash balances end of year	\$ 227,780	112,100	339,880
Cash Basis Fund Balances			
Unrestricted	\$ 227,780	112,100	339,880
Total cash basis fund balances	\$ 227,780	112,100	339,880

See notes to financial statements

Exhibit E

City of La Porte City

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Fund

As of and for the year ended June 30, 2013

Total enterprise funds cash balances (page 18)	\$ 339,880
---	------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net position of business type activities (page 14)	<u><u>\$ 339,880</u></u>
--	--------------------------

Net change in cash balances (page 18)	\$ (25,348)
--	-------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash basis net position of business type activities (page 14)	<u><u>\$ (25,348)</u></u>
--	---------------------------

See notes to financial statements

City of La Porte City

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of La Porte City is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, general government services, as well as garbage services which are included in the general fund. The City also provides sewer utilities for its citizens, as well as ambulance services.

A. Reporting Entity

For financial reporting purposes, the City of La Porte City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Blended Component Units

The La Porte City Police Association (Association) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Association has been established to improve the City's law enforcement, promote the knowledge, understanding in all aspects of law enforcement, to promote continuing education and training, and to promote public education and awareness of crime prevention. Although the Association is legally separate from the City, its purpose is to benefit the City of La Porte City (the primary government) by providing the above services and by soliciting contributions and managing those funds.

The La Porte City Fire Fighters Association (Association) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Association has been established to improve firemanship, promote the knowledge and understanding in all aspects of firemanship, to promote continuing education and training, and to promote public education and

awareness of all phases of fire prevention. Although the Association is legally separate from the City, its purpose is to benefit the City of La Porte City (the primary government) by providing the above services and by soliciting contributions and managing those funds.

Discretely Presented Component Unit

La Porte City Utilities (LPCU) is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Utility is governed by a three-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented. Condensed financial information presented in Note 10 was prepared on the cash basis of accounting in conformity with U.S. generally accepted accounting principles. Complete financial statements for the year ended June 30, 2013 can be obtained from the Utility's administrative office, 403 Main St; La Porte City, Iowa 50651.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: City of Waterloo Building Department, Townships of the following: Big Creek, Spring Creek, Eagle Poyner, Cedar and Poyner in Black Hawk County, Bruce and Cedar in Benton County, Tri-County Drug Task Force, Northeast Iowa Response Group, Mutual Aid Fire – Buchanan County, Digital Data – Black Hawk County, Criminal Justice Info System, Black Hawk Consolidated Public Safety Communications Agreement, Mutual Aid Fire – Black Hawk County, Union Community School District – Tennis Courts, Use of Buses, Use of Swimming Pool, and Community Orchard, Mutual Aid Fire – City of Waterloo, Mutual Aid Fire – Covenant Health System, and Mutual Aid - Statewide.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position are reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue – Equipment Replacement Fund is utilized as a savings fund for large equipment purchases for each department.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Project Fund – Capital Project Fund is utilized to track capital expenditures mainly for street projects.

The Trust & Agency Fund – Trust Fund is utilized to account for the contributions, fundraisers, and grants for City departments and expenditures by those departments for special items.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of La Porte City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under terms of grand agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts only available to be used for specific purposes determined by a formal action by council ordinance or resolution.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted in the any functions.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions at June 30, 2013 were entirely covered by federal depository insurance, by the State Sinking Fund, or by a letter of credit in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments as of June 30, 2013, however the time deposits are as follows:

Type	Carrying Amount	Fair Value	Maturity
Certificates of Deposit	\$ 562,136	\$ 562,136	Various Dates

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Notes	
	Principal	Interest
2014	355,000	57,035
2015	330,000	53,028
2016	335,000	51,302
2017	340,000	48,868
2018	340,000	46,040
2019 - 2021	1,965,000	230,950
Total	\$ 3,665,000	487,223

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

During the year ended June 30, 2007 the Council approved an interfund loan from the Sewer Fund to the Economic Development Fund for \$90,000. There were no payments made during the year and the balance of the loan remaining to be paid is \$45,000.

During the year ended June 30, 2008 the Council approved an interfund loan from the Special Revenue – Road Use Tax Fund to the Capital Project – Sweet Fund for \$46,909. As of June 30, 2013 none of the balance of the inter-fund loan has been paid.

During the year ended June 30, 2009 the Council approved an interfund loan from the Special Revenue – Equipment Replacement Fund to the Debt Service Fund for \$41,000, an interfund loan of \$39,274 from the General Fund to the Debt Service Fund, an interfund loan of \$5,513 from Special Revenue – Road Use Tax Fund to the Capital Project – Sweet Fund, and an interfund loan of \$4,714 from the Economic Development Fund to the Special Revenue - Tax Increment Financing Fund. As of June 30, 2013, none of the balances of the inter-fund loans had been paid.

During the year ended June 30, 2010 the Council approved an interfund loan from the Economic Development Fund to the Special Revenue - Tax Increment Financing Fund for \$4,089 and an interfund loan from the General Fund to the Debt Service Fund for \$38,418. As of June 30, 2013, the balances of the inter-fund loans had not been paid.

During the year ended June 30, 2011 the Council approved an interfund loan from the General Fund to the Capital Projects Fund for \$12,250. As of June 30, 2013, the balance of the inter-fund loan had not been paid.

During the year ended June 30, 2012 the Council approved an interfund loan from the General Fund to the Debt Service Fund for \$51,000. As of June 30, 2013, the balance of the inter-fund loan had not been paid.

During the year ended June 30, 2013 the Council approved an interfund loan from the Special Revenue – Equipment Replacement Fund to the Debt Service Fund for \$40,000. Under the resolution this interfund loan is to be repaid from Debt Service to Equipment Replacement Fund by June 30, 2014. As of June 30, 2013, the balance of the inter-fund loan had not been paid.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$54,597, \$48,736, and \$44,363, respectively, equal to the required contributions for each year

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 12 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-insured plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the full cost of the premium for the medical/prescription drug benefits. Effective May 1, 2010, the

City increased the deductibles for the plan from \$750 for single and \$1,500 for family to \$1,500 for single and \$3,000 for family and it self funds the increase in deductible for each participant. A third party administrator, Employee Benefit Systems, coordinates the self funded portion of the plan.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The most recent active member monthly premiums are Tier 1: \$438 for single coverage, \$897 for employee plus spouse, \$830 for employee plus children, and \$1,352 for family coverage; Tier 2: \$469 for single coverage, \$960 for employee plus spouse, \$889 for employee plus children, and \$1,448 for family coverage. The City pays for 90% of the monthly premium and the employee is responsible for 10% of the monthly premium. For the year ended June 30, 2013, the City contributed \$97,091 to Wellmark Blue Cross/Blue Shield and \$1,672 to Employee Benefit Systems on behalf of plan members. The City also paid \$5,916 in self funding for employee health insurance.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 4,422
Sick leave	<u>53,811</u>
Total	<u>\$ 58,233</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Permanent Special Revenue Road Use Tax Capital Projects	\$ 102,506 55,351 <u>15,357</u> 173,214
Special Revenue Equipment Replacement	General Ambulance Sewer Capital Project	72,562 20,000 15,000 <u>41,986</u> 149,548
Low to Moderate Income	Special Revenue Tax Increment Financing	4,610
Trust I	General	10,000
Debt Service	Capital Projects Special Revenue Tax Increment Financing Road Use Tax Sewer	81,000 133,554 40,000 <u>43,677</u> 298,231
Capital Projects Capital Project	Debt Service	500,000

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Lease Purchase Agreements

The City entered into a lease with Advanced Systems on September 4, 2012 for a copier at City Hall. The lease is 60 payments of \$154.

The City entered into a lease with Ally Financial on February 12, 2013 for a 2013 Chevy Tahoe for the Police Department. The first of three annual lease payments of \$13,044 was paid in February 2013.

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$13,731 during the year ended June 30, 2013.

(10) La Porte City Utilities

La Porte City Utilities (LPCU) provides electric and water services to the City and its residents. LPCU does the billing of Garbage and Sewer fees for the City. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for this discretely presented component unit. The following is the condensed financial information for the Utility for the year ended June 30, 2013.

Condensed Statement of Cash Receipts, Disbursements and Changes in Cash Balances

Revenues:	
Charges for Service	\$ 2,480,153
Other	52,166
Total revenue	<u>2,532,319</u>
Operating expenses:	
Business Type Activities	<u>3,377,499</u>
Operating income	<u>(845,180)</u>
Non-operating revenue (expenses):	
Bond proceeds	<u>1,121,950</u>
Change in Cash Balances	276,771
Cash balances beginning of year	<u>1,235,264</u>
Cash balances end of year	<u>\$ 1,512,035</u>

The audit report dated November 4, 2013 issued by Ridihalgh, Fuelling, Snitker, Weber & Co. CPAs for LPCU stated the following material weaknesses:

- Segregation of duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. It is realized segregation of duties is difficult with a limited number of office employees, however the Utility should review its control procedures to obtain the maxim internal control possible under the circumstances.
- Sewer Utility Rates – The City Council approved an ordinance to increase sewer rates effective July 15, 2013. The minimum sewer use charge increased. The Utility does the billing for the City's sewer charges. After the increase, the sewer base rate was not properly increased in the Utility billing system. The Utility should review their utility billing system after each approved rate increase to ensure the correct rates are being reflected and charged to customers.

The audit report also stated the following significant deficiency:

- Preparation of Financial Statements – The Utility does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnote disclosures) in conformity with accounting principles generally accepted in the United States of America; therefore, it relies on its auditors to prepare such statements. The Utility feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirement and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements.

(11) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Deficit Fund Balance

There were no deficit fund balances at June 30, 2013.

(13) Contracts and Commitments

The City approved a reimbursement agreement with the Iowa Department of Transportation for a road rehabilitation project of Highway 218 that runs through the City. The IDOT will perform the whole project including replacement of the sanitary sewer along the highway. The City will reimburse the IDOT for the sanitary sewer portion of the project which is estimated to cost \$298,000.

(14) Litigation

After the 2008 floods, the City received a grant from the Federal Emergency Management Agency (FEMA) passed through the Iowa Department of Homeland Security (IDHS) for the buyout of homes in the affected flood areas of the City. IDHS instructed the City to pay a homeowner roughly \$84,000 pursuant to the project guidelines set forth by FEMA. The City paid the homeowner and subsequently the homeowner also collected the same amount from his insurance agency. The IDHS is instructing the City to return the grants funds to them and in August 2012 the City sued the homeowner for the funds. A response from the homeowner states that he denies all liability. The probability of loss, if any, is indeterminable.

(15) Subsequent Events

In July 2013, the Council approved a bid from Murphy Tractor for the purchase of a new backhoe at \$96,950.

The City approved a contract in July 2013 with Pirc-Tobin Construction for Phase I of the Street Rehab project on Bishop, Maple, and Adams. The approved bid was \$422,031.

The City approved a contract in July 2013 with Horsefield Construction for Phase II of the Street Rehab project on the Community Center Lot and reconstruction of 2nd St. The approved bid was \$159,698

In August 2013, the Council approved the purchase of a 2013 ambulance from Lifeline Ambulance for \$129,650. The Council also approved the purchase of two power lift cots for \$24,176. The power lift cots will be paid jointly with the La Porte City Fire Fighters Association.

Other Information

City of La Porte City

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 819,070	-	-
Tax increment financing collections	146,534	-	-
Other city tax	277,129	-	-
Licenses and permits	28,700	-	-
Use of money and property	40,908	2,592	-
Intergovernmental	322,697	21,406	-
Charges for service	243,052	386,713	-
Miscellaneous	560,243	1,050	41,841
Total receipts	2,438,333	411,761	41,841
Disbursements:			
Public safety	560,105	-	41,372
Public works	461,441	-	-
Health and social services	3,052	-	-
Culture and recreation	379,199	-	-
Community and economic development	59,581	-	-
General government	133,445	-	-
Debt service	2,204,916	-	-
Capital projects	563,011	-	-
Business type activities	-	358,433	-
Total disbursements	4,364,750	358,433	41,372
Excess of receipts over disbursements	(1,926,417)	53,328	469
Other financing sources (uses), net	1,774,316	(78,676)	-
Excess of receipts and other financing sources over disbursements and other financing uses	(152,101)	(25,348)	469
Balances beginning of year	3,619,987	365,228	17,365
Balances end of year	\$ 3,467,886	339,880	17,834

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
819,070	831,755	831,755	(12,685)
146,534	147,918	147,918	(1,384)
277,129	295,041	295,041	(17,912)
28,700	20,625	22,985	5,715
43,500	43,001	72,205	(28,705)
344,103	624,965	496,547	(152,444)
629,765	645,250	647,550	(17,785)
519,452	31,000	308,850	210,602
2,808,253	2,639,555	2,822,851	(14,598)
518,733	513,835	565,105	46,372
461,441	666,830	676,890	215,449
3,052	7,513	7,513	4,461
379,199	377,770	433,913	54,714
59,581	28,164	63,280	3,699
133,445	139,106	144,606	11,161
2,204,916	438,966	2,232,142	27,226
563,011	902,600	907,600	344,589
358,433	1,553,303	592,495	234,062
4,681,811	4,628,087	5,623,544	941,733
(1,873,558)	(1,988,532)	(2,800,693)	927,135
1,695,640	51,000	1,805,500	(109,860)
(177,918)	(1,937,532)	(995,193)	817,275
3,967,850	4,946,927	3,967,846	4
3,789,932	3,009,395	2,972,653	817,279

City of La Porte City
Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$183,296 and budgeted disbursements by \$995,457. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted in any functions.

Supplementary Information

City of La Porte City

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue				
	TIF	Road Use	Employee Benefits	Low to Moderate Income	LPC Fire Fighters Assn
Receipts:					
Property tax	\$ 146,534	-	121,653	-	-
Other city tax	-	-	-	-	-
Use of money and property	-	-	-	596	-
Intergovernmental	-	218,825	-	-	-
Miscellaneous	-	-	-	-	35,428
Total receipts	146,534	218,825	121,653	596	35,428
Disbursements:					
Operating:					
Public safety	-	-	53,916	-	36,933
Public works	-	122,613	53,223	-	-
Health & Social Services	-	-	-	-	-
Culture and recreation	-	-	20,753	-	-
Community and economic develop	8,901	-	-	-	-
General government	-	-	10,811	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	8,901	122,613	138,703	-	36,933
Excess (deficiency) of receipts over (under) disbursements	137,633	96,212	(17,050)	596	(1,505)
Other financing sources:					
Operating transfers in (out)	(138,164)	-	10,000	4,610	-
Change in cash balances	(531)	96,212	(7,050)	5,206	(1,505)
Cash balances beginning of year	3,561	206,493	14,636	99,278	11,772
Cash balances end of year	\$ 3,030	302,705	7,586	104,484	10,267
Cash Basis Fund Balances					
Restricted	\$ 3,030	302,705	7,586	104,484	10,267
Committed	-	-	-	-	-
Assigned for capital projects	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total cash basis fund balances	\$ 3,030	302,705	7,586	104,484	10,267

See accompanying independent auditor's report

Schedule 1

LPC Police Assn	Capital Projects		Total
	2008 Flood Buyout	CDBG Buyout Project	
-	-	-	268,187
-	-	-	-
-	-	-	596
-	-	-	218,825
6,413	-	-	41,841
6,413	-	-	529,449
4,439	-	-	95,288
-	-	-	175,836
-	-	-	-
-	-	-	20,753
-	-	-	8,901
-	-	-	10,811
-	-	-	-
-	3,457	-	3,457
4,439	3,457	-	315,046
1,974	(3,457)	-	214,403
-	-	-	(123,554)
1,974	(3,457)	-	90,849
5,593	17,445	-	358,778
7,567	13,988	-	449,627
7,567	13,988	-	449,627
-	-	-	-
-	-	-	-
7,567	13,988	-	449,627

City of La Porte City
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation note:			
G.O. Capital Loan Note	May 6, 2003	1.60% - 3.80%	600,000
G.O. Capital Loan Note	July 1, 2004	2.95% - 4.25%	600,000
G.O. Loan Notes	December 1, 2005	3.75% - 4.10%	2,080,000
G.O. Capital Loan Notes	October 18, 2006	3.75% - 4.00%	920,000
G.O. Capital Loan Notes	April 12, 2012	0.85% - 3.10%	1,920,000
G.O. Capital Loan Notes	June 11, 2013	0.35% - 1.30%	1,705,000

See accompanying independent auditor's report

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 75,000	-	75,000	-	2,850	-
150,000	-	75,000	75,000	6,263	-
1,370,000	-	1,370,000	-	55,353	-
505,000	-	505,000	-	20,396	-
1,920,000	-	35,000	1,885,000	48,177	-
-	1,705,000	-	1,705,000	-	-
\$ 4,020,000	1,705,000	2,060,000	3,665,000	133,039	-

Schedule 3

City of La Porte City

Bond and Note Maturities

June 30, 2013

Year Ending June 30,	General Obligation Notes						Total
	Capital Loan Note		Capital Loan Note		Capital Loan Note		
	Issued July 1, 2004		Issued April 12, 2012		Issued June 11, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	4.25	\$75,000	0.85	35,000	0.35	245,000	355,000
2015		-	0.85	90,000	0.40	240,000	330,000
2016		-	1.30	95,000	0.50	240,000	335,000
2017		-	1.30	95,000	0.65	245,000	340,000
2018		-	1.80	90,000	0.80	250,000	340,000
2019		-	1.80	90,000	0.95	160,000	250,000
2020		-	2.00	100,000	1.13	160,000	260,000
2021		-	2.00	100,000	1.30	165,000	265,000
2022		-	2.20	205,000		-	205,000
2023		-	2.35	210,000		-	210,000
2024		-	2.50	220,000		-	220,000
2025		-	2.75	180,000		-	180,000
2026		-	3.00	185,000		-	185,000
2027		-	3.10	190,000		-	190,000
		<u>\$75,000</u>		<u>1,885,000</u>		<u>1,705,000</u>	<u>\$3,665,000</u>

See accompanying independent auditor's report

City of La Porte City

Schedule of Receipts by Source and Disbursements By Function
All Governmental Funds

For the Last Nine Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts:									
Property tax	\$ 819,070	781,888	749,449	766,117	823,280	856,316	887,614	667,418	608,911
Tax increment financing	146,534	168,031	196,336	138,695	74,301	-	-	-	-
Other city tax	277,129	293,716	283,668	287,309	286,569	281,565	247,187	258,843	239,723
Licenses and permits	28,700	22,815	22,224	20,149	21,486	18,507	17,658	19,267	21,017
Use of money and property	40,908	21,747	32,131	43,394	53,474	75,838	105,519	70,627	26,705
Intergovernmental	322,697	432,159	616,627	1,135,073	497,195	614,873	335,086	307,978	336,072
Charges for service	243,052	250,557	226,300	227,885	224,203	216,143	227,371	210,834	182,840
Miscellaneous	560,243	196,988	122,449	93,161	54,133	71,867	542,220	242,964	100,810
Total	\$ 2,438,333	2,167,901	2,249,184	2,711,783	2,034,641	2,135,109	2,362,655	1,777,931	1,516,078
Disbursements:									
Operating:									
Public safety	\$ 560,105	652,402	556,456	474,565	449,169	629,194	420,893	422,394	454,592
Public works	461,441	492,241	702,985	470,778	459,988	549,433	502,495	509,789	378,959
Health and social services	3,052	5,342	7,879	6,294	4,232	5,194	5,044	4,994	1,869
Culture and recreation	379,199	385,105	358,316	362,941	338,779	259,707	318,361	218,355	277,229
Community and economic development	59,581	16,272	37,865	80,512	97,042	155,150	236,803	251,901	15,855
General government	133,445	144,774	126,911	109,510	115,938	107,489	122,229	107,464	107,212
Debt service	2,204,916	463,221	444,305	445,845	441,755	441,900	439,923	199,105	98,244
Capital projects	563,011	85,715	89,981	786,597	5,040	376,665	867,407	2,215,782	485,788
Total	\$ 4,364,750	2,245,072	2,324,698	2,737,042	1,911,943	2,524,732	2,913,155	3,929,784	1,819,748

See accompanying independent auditor's report



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United State, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of La Porte City, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 6, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of La Porte City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of La Porte City's internal control. Accordingly, we do not express an opinion on the effectiveness of City of La Porte City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of La Porte City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those

charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of La Porte City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of La Porte City's Responses to Findings

City of La Porte City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. City of La Porte City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of La Porte City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

November 6, 2013

City of La Porte City
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of La Porte City did not expend in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2013.

City of La Porte City
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-13 Preparation Financial Statements - The City of La Porte City, Iowa does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Response – The City feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of La Porte City
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Part III: Other Findings Related to Statutory Reporting:

- III-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed amounts budgeted.
- III-B-13 Questionable Disbursements – We noted no questionable disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jane Whittlesey, City Clerk, Co-owner of La Porte City Printing & Design	Purchase office supplies	1,106
Jane Whittlesey, City Clerk, Co-owner of The Progress Review	City's official newspaper	5,315
Jane, Whittlesey, City Clerk, Mom owns Sunshine Florals	Florals	346
Sarah Craft, Council Member, Husband is attorney with firm Dutton, Braun, Staack, & Hellman, City's Attorney	Attorney fees	5,009
Sarah Craft, Council Member, Mother-in-law is museum Grant writer	Grant Writing	1,195
Stacy Fleshner, Recreation Director Husband is Rec Depart Umpire	Umpire	153
Jolene Kronschnabel, Library Director Son is archivist for museum	Archivist	206
Tara Mieke, Recreation Director Husband is Rec Depart Umpire	Umpire	400

In accordance with Chapter 362.5(11) of the Code of Iowa, the first, third, fifth, sixth, seventh, and eighth transactions do not appear to represent a conflict of interest since the amounts are for less than \$2,500 each.

City of La Porte City

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

In accordance with Chapter 362.5(6) of the Code of Iowa, the second transaction does not appear to represent a conflict of interest since the City has designated The Progress Review as its official newspaper.

In accordance with Chapter 362.5(5) of the Code of Iowa, the fourth transaction does not appear to represent a conflict of interest since the City had designated Dutton, Braun, Staack, & Hellman their City attorney and these professional services are not customarily awarded by competitive bid.

- III-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-13 Council Minutes – No transactions were found that we believe should have been approved in Council Minutes but were not.
- III-G-13 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-13 Payment of General Obligation Bonds – The City properly paid for its general obligation bonds out of the Debt Service fund.
- III-I-13 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

There were no instances of noncompliance noted.

- III-J-13 Urban Renewal Annual Report – There were no instances of noncompliance with the Urban Renewal Annual Report noted.

City of La Porte City

Staff

This audit was performed by:

Dana Elliott, CPA, Manager
Brent Waters, CPA, Staff